

FEB 363

THE WHITE HOUSE
WASHINGTON

Jan. 31, 1974

Jack:

The enclosed envelope ad-
dressed to you from Leo
Cherne came in my mail
today, and I forward it to
you herewith.

Wheaton

Wheaton B. Byers

Encls: Sealed envelope

P.S. Leo sent me a
copy.

STATINTL

MEMORANDUM FOR: J: pls do &
1. OK underleaf
2. Send cys to ~~new h.~~ [REDACTED] and
(when he gets here)
the Econ. NIO.

G
(DATE)

FORM NO. 101 REPLACES FORM 10-101
1 AUG 54 WHICH MAY BE USED.

(47)

MEMORANDUM FOR: Gen Graham
- a letter from Leo Cherne
(PFIAB) following our con-
versation re "diffusing"
econ intell. For now it
looks too "touchy" to me. See
give WEC a copy prior to
PFIAB mtg. 2/4
John
(DATE)

FORM NO. 101 REPLACES FORM 10-101
1 AUG 54 WHICH MAY BE USED.

(47)

Leo Cherne



Executive Director
The Research Institute of America, Inc.
589 Fifth Avenue, New York, N.Y. 10017

January 28, 1974

STATINTL

Dear [REDACTED]

The meeting between the two of us raised so many interesting and important questions that I am not sure I reacted adequately to all of them. Since the primary purpose of your interest was to explore the means of providing economic intelligence to U.S. businessmen whose international functioning might be assisted by such guidance, my response was essentially limited to comment on the specific techniques you asked me to comment on.

It is quite clear that I was quite negative about the feasibility of in fact defining an appropriate group of businessmen with whom contact could be made for such a purpose. In this connection, I said that the procedures used by those concerned with defense procurement and production provided no useful parallel simply because the military-industrial community involves a relatively smaller number of businessmen in contrast to the much more diverse and very much larger numbers of firms involved in every manner of international activity.

As I thought over our conversation, I found myself increasingly concerned that I limited my negative comments to the question of feasibility. Let me now add some nagging concern that there are larger questions than simply the practical ones. There are legal, political and cultural questions to which a great deal of thought must be given.

I think it is important to conclude that even if it were feasible to make certain intelligence available to a limited and secure group of businessmen, there might be other considerations which would suggest that such an effort not be made. I am assuming, for example, that certain forms of intelligence, precisely because they would assist businessmen in their operations, would give them a competitive edge against other businessmen not so assisted. There are a number of laws, from the antitrust laws to the Robinson-Patman Act, which are designed to

prevent such a competitive advantage. I also think that all of us who are concerned with the more effective functioning of the intelligence community and the maximum improvement in intelligence operations must also give additional thought to which activities are appropriate to an intelligence organization and which are likely to be misunderstood or actively opposed if they were in fact to become public knowledge. We have, after all, been going through a period in which there has been more than the usual attention given to some questionable though fortunately minor activities within the intelligence community.

It would be difficult to find a journalist more sensitive to the needs of national security and more sophisticated in his understanding of both foreign policy and intelligence requirements than C. L. Sulzberger. Just within the last week, the New York Times published a column by Sulzberger entitled "Time to Spook the Spooks?" Sulzberger, in turn, quotes Steven Dedijer who is presently teaching in Sweden but has worked for the Soviet N.K.V.D., the O.S.S., and the intelligence service of Yugoslavia. Like Sulzberger, I raise the following observations by Dedijer not because I have a particular respect for him, nor even for his intelligence background, but simply because I feel, as does Sulzberger, that he is raising some very important questions to which very little thought has been given and which go to the very heart of the initiatives we were exploring:

"...there exists a contradiction between 'the need to democratize intelligence and to control it on the one hand, and its secrecy and illegality requirements on the other.'... 'The basic intelligence goal for individual countries is changing from intelligence for national existence and security to intelligence for national growth and development.'"

""Is a wider and greater public control of the intelligence production system, management system and policy system necessary, desirable and possible? What does intelligence cost us? How many are engaged in it, who and where are they and how selected? What is the return on our investment in intelligence? How much waste and abuse is involved: Is the intelligence community subverting our basic national values and quality of our life?""

I am delighted that in the course of our conversation we did spend some time in grappling with a still relatively novel proposition -- that military and political intelligence tends to deal with sharply defined questions of national security, while economic intelligence may not be as

immediately related to questions of national security while importantly dealing with questions of national interest. I think the Sulzberger column puts it much more clearly, in pointing to the change which is taking place from threats to national existence and security to threats to national growth and development. This is not merely a semantic difference. In fact, you added much to my thinking with your very clear observation that at the heart of an effective intelligence operation is the initial necessity for the intelligence community to define the existence of a threat. And you then proceeded to say in essence that unlike the military area, there is no threat definition in the economic areas. In part, of course, that is the case because the economic hazards are so much more recent. In part, it is because they are so much more ambiguous and diffuse. But in very large part, too, it is because they tend to be coextensive with a whole range of our economic life and even domestic welfare.

To the extent that this is so, this therefore raises even more seriously the desirability of the intelligence community making available assistance which we would assume to be of some worth only to certain selected members of what is in effect a national community of enterprises. I come back to an important phrase among the quotes earlier in this letter: "Our basic national values and quality of our life." The unstructured, the uncoordinated, the competitive functioning of our various private communities is an essential aspect of these national values.

In some ways, the national interest may in fact be jeopardized by this anarchic character of our economy. Yet, all kinds of countervailing power are relied on to keep these private instruments anarchic. When the needs of the community can no longer be met in that process, then all manner of correcting expedients are used which run the gamut from regulation to nationalization.

From the point of view of my prejudices, and I believe these do reflect the essence of our political and economic culture, I think it is important to keep our various private instruments just as private, as competitive and as untouched by government assistance as is possible, while still meeting our needs for national security.

There are dilemmas this raises which, quite frankly, I am not wise enough to answer. How do we assist American businesses to be competitive overseas, in competition with government-directed or assisted

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businesses, and yet leave those same American businesses untouched in their national competition with each other? In fact, there are so many questions beyond this one that remain unanswered that I find myself again in the same position with Sulzberger, who concludes his column with the following paragraph:

"There is much to be said for his fresh approach to a field hitherto cloaked in dark suspicion and speckled with gaudy romance. Surely, for a subject so vital to contemporary societies, there should be public discussion and even intellectual courses examining the needs and methods of what used to be an unmentionable trade."

I told you how much I appreciated your visit with me. Let me now say my appreciation is greater than that simply because you have compelled me to think more deeply about some of the things to which I had already given some time and thought.

With my deep regard,

Sincerely,

